

# Public Employee Retirement System

Analyst: Freeman

## Historical Summary

OPERATING BUDGET	FY 2002 Total App	FY 2002 Actual	FY 2003 Approp	FY 2004 Request	FY 2004 Gov Rec
<b>BY PROGRAM</b>					
Administration	5,260,600	5,055,900	5,461,600	5,491,300	5,417,000
Portfolio Investment	645,900	427,700	628,900	644,300	636,400
401(k) Administration	7,700	3,700	7,700	0	0
<b>Total:</b>	<b>5,914,200</b>	<b>5,487,300</b>	<b>6,098,200</b>	<b>6,135,600</b>	<b>6,053,400</b>
<b>BY FUND CATEGORY</b>					
Dedicated	5,914,200	5,487,300	6,098,200	6,135,600	6,053,400
Percent Change:		(7.2%)	11.1%	0.6%	(0.7%)
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	3,146,100	2,919,900	3,160,300	3,234,300	3,214,200
Operating Expenditures	2,656,600	2,404,500	2,823,400	2,786,200	2,724,100
Capital Outlay	111,500	162,900	114,500	115,100	115,100
<b>Total:</b>	<b>5,914,200</b>	<b>5,487,300</b>	<b>6,098,200</b>	<b>6,135,600</b>	<b>6,053,400</b>
Full-Time Positions (FTP)	63.00	63.00	63.00	63.00	63.00

## Division Description

The RETIREMENT ADMINISTRATION Program administers a Defined Benefit (DB) retirement plan that is mandatory for all eligible State and school district employees, and for employees of political subdivisions which have elected to participate. The plan also provides separation, disability, death and survivor benefits. The mission of the Public Employee Retirement System of Idaho (PERSI) is to provide members and their beneficiaries with reliable, secure, long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high quality, friendly service, retirement education and information. The system also administers the Sick Leave Reserve Fund for State and school district retirees, from which monthly medical insurance premiums are paid, as well as the former Firemen's Retirement Fund and the Idaho Falls and Boise City Police Retirement Funds.

As part of the GAIN SHARING Program adopted by the 2000 legislature, PERSI established the PERSI Choice Plan, a Defined Contribution (DC) plan for the 62,000 active members of PERSI. This plan, in addition to and separate from the DB plan, provides a 401(k) plan option to all members who are eligible. In years in which investment earnings and total DB plan assets sufficiently exceed liabilities plus one standard deviation reserve, the PERSI board may declare a portion of the excess earnings as gain sharing. When gain sharing is authorized, active members will receive their allocation in the form of a transfer into their DC account. Retirees will receive a 13th check. Employers will receive a credit against future contributions.

The PORTFOLIO INVESTMENT Program is responsible for the management of PERSI assets to ensure secure long-term returns on investments while minimizing investment costs. Beginning in FY 1996, the administrative costs of portfolio investment came under a fixed appropriation. The remaining investment costs continue to operate under a perpetual appropriation as provided in Idaho Code §59-1311.

401(k) ADMINISTRATION Program: During FY 1995, PERSI administered a 401(k) program for employees of the Department of Health and Welfare and the Department of Lands. Laws enacted by the 1995 Legislature allowed PERSI to offer the 401(k) program to all state employees beginning in FY 1996. The Idaho Super Saver 401(k) plan provides a voluntary retirement savings program for all state employees. Currently \$2 of the \$12 annual membership fee is used by PERSI for direct administrative costs of the program. The plan provider, Scudder Investment Services, receives the other \$10 for trust and reporting services. This plan was merged with the Choice Plan effective October 1, 2001.

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2003 Original Appropriation</b>	<b>63.00</b>	<b>0</b>	<b>6,098,200</b>	<b>63.00</b>	<b>0</b>	<b>6,098,200</b>
Removal of One-Time Expenditures	0.00	0	(224,500)	0.00	0	(224,500)
<b>FY 2004 Base</b>	<b>63.00</b>	<b>0</b>	<b>5,873,700</b>	<b>63.00</b>	<b>0</b>	<b>5,873,700</b>
Personnel Cost Rollups	0.00	0	46,000	0.00	0	53,900
Inflationary Adjustments	0.00	0	62,100	0.00	0	0
Replacement Items	0.00	0	130,100	0.00	0	130,100
Nonstandard Adjustments	0.00	0	3,400	0.00	0	3,400
Change in Employee Compensation	0.00	0	28,000	0.00	0	0
<b>FY 2004 Program Maintenance</b>	<b>63.00</b>	<b>0</b>	<b>6,143,300</b>	<b>63.00</b>	<b>0</b>	<b>6,061,100</b>
1. Remove 401(k) Administration Pgm	0.00	0	(7,700)	0.00	0	(7,700)
<b>FY 2004 Total</b>	<b>63.00</b>	<b>0</b>	<b>6,135,600</b>	<b>63.00</b>	<b>0</b>	<b>6,053,400</b>
Change from Original Appropriation	0.00	0	37,400	0.00	0	(44,800)
% Change from Original Appropriation			0.6%			(0.7%)

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2003 Original Appropriation</b>					
	63.00	0	6,098,200	0	6,098,200
<b>Removal of One-Time Expenditures</b>					
Agency Request	0.00	0	(224,500)	0	(224,500)
Governor's Recommendation	0.00	0	(224,500)	0	(224,500)
<b>FY 2004 Base</b>					
Agency Request	63.00	0	5,873,700	0	5,873,700
Governor's Recommendation	63.00	0	5,873,700	0	5,873,700
<b>Personnel Cost Rollups</b>					
Includes the employer portion of estimated changes in employee benefit costs.					
Agency Request	0.00	0	46,000	0	46,000
<i>The Governor also recommends additional funding to be applied to the employee paid portion of health and dental insurance cost increases, in order to prevent employees from experiencing a reduction in take-home pay.</i>					
Governor's Recommendation	0.00	0	53,900	0	53,900
<b>Inflationary Adjustments</b>					
Includes a general inflationary increase of 2.4% in operating expenditures.					
Agency Request	0.00	0	62,100	0	62,100
<i>The Governor recommends no increase for general inflation.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>Replacement Items</b>					
RETIREMENT ADMINISTRATION - Capital Outlay: 27 PCs (\$43,200), 3 laptops (\$6,900), 5 servers (\$40,600), 2 office chairs (\$900), 3 printers (\$4,800), and 2 fax machines (\$3,200). Operating Expenses: 18 server operating system upgrades (\$15,300). PORTFOLIO INVESTMENT: 3 PCs (\$7,500), and 1 color printer (\$8,000).					
Agency Request	0.00	0	130,100	0	130,100
Governor's Recommendation	0.00	0	130,100	0	130,100
<b>Nonstandard Adjustments</b>					
Reflects an adjustment in Attorney General, Controller and Treasurer fees pursuant to the Statewide Cost Allocation Plan. Also reflects an adjustment for Risk Management property/casualty rates.					
Agency Request	0.00	0	3,400	0	3,400
Governor's Recommendation	0.00	0	3,400	0	3,400
<b>Change in Employee Compensation</b>					
Reflects the cost of a 1% salary increase for permanent positions.					
Agency Request	0.00	0	28,000	0	28,000
<i>The Governor does not recommend new funding for state employee pay increases. Compensation increases may be funded with agency salary savings wherever possible.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>FY 2004 Program Maintenance</b>					
Agency Request	63.00	0	6,143,300	0	6,143,300
Governor's Recommendation	63.00	0	6,061,100	0	6,061,100

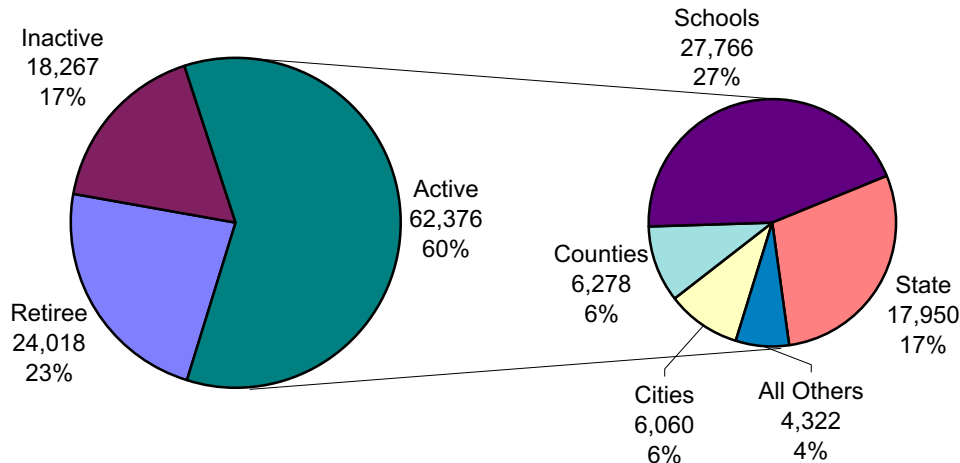
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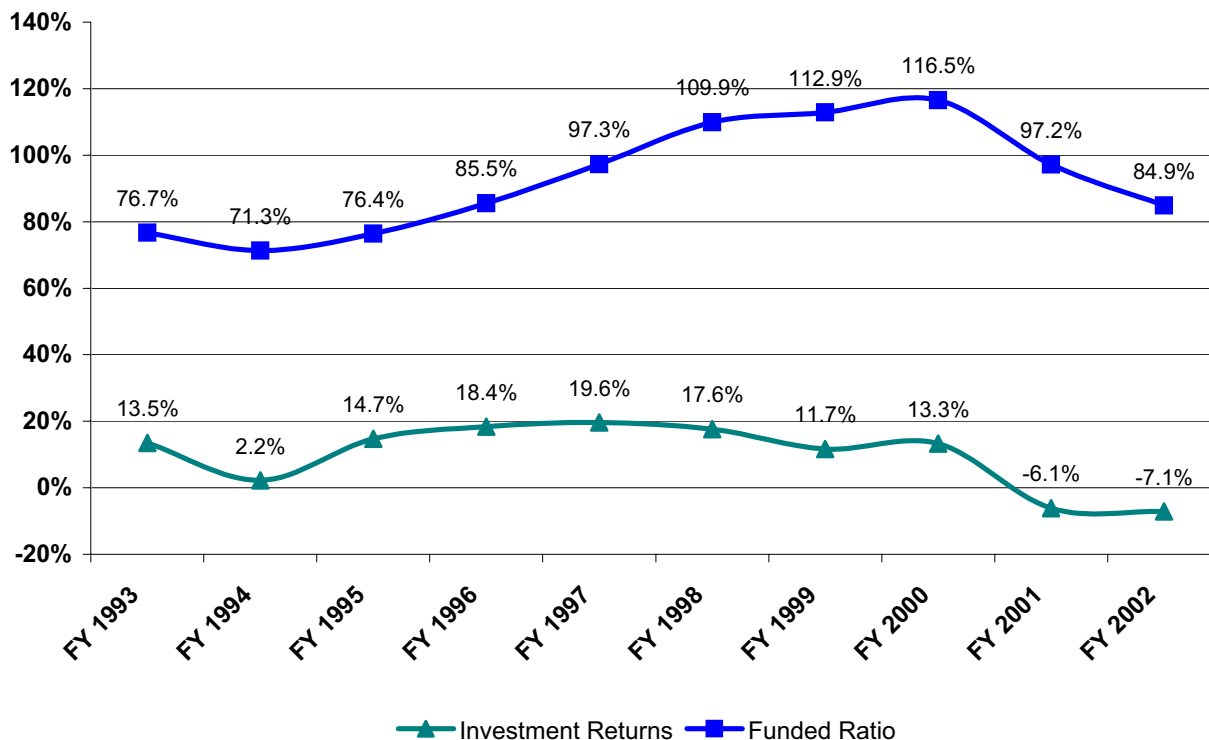
Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>1. Remove 401(k) Administration Pgm</b>					
The Idaho Super Saver has been merged with the Choice Plan and PERSI will not need an appropriation for this program after FY 2003.					
Agency Request	0.00	0	(7,700)	0	(7,700)
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>(7,700)</i>	<i>0</i>	<i>(7,700)</i>
<b>FY 2004 Total</b>					
Agency Request	63.00	0	6,135,600	0	6,135,600
<i>Governor's Recommendation</i>	<i>63.00</i>	<i>0</i>	<i>6,053,400</i>	<i>0</i>	<i>6,053,400</i>
Agency Request					
Change from Original App	0.00	0	37,400	0	37,400
% Change from Original App	0.0%		0.6%		0.6%
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.00</i>	<i>0</i>	<i>(44,800)</i>	<i>0</i>	<i>(44,800)</i>
<i>% Change from Original App</i>	<i>0.0%</i>		<i>(0.7%)</i>		<i>(0.7%)</i>

## PERSI Membership

**659 employer units belong to PERSI, for a total system membership of 104,661**



## PERSI - Funded Ratios and Investment Returns



The PERSI Base Plan experienced a -7.07% return on investments in FY 2002, which equals -\$495 million in net investment loss. As of June 30, 2002, the PERSI fund was valued at over \$6.26 billion, down from \$6.71 billion the prior year. PERSI's unfunded actuarial liability now exceeds the 25-year amortization period required by law. As such, on November 26, 2002, the PERSI board approved a contribution rate increase of 3% (phased-in over three years beginning in FY05).

# PERSI

## Issues & Information

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### Strategic Planning Act Performance Measures

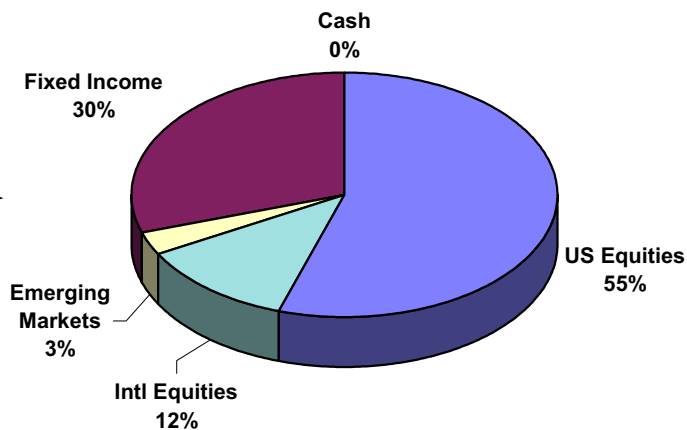
Selected Measures	FY 2000 Act	FY 2001 Act	FY 2002 Act	FY 2003 Est
<b>ADMINISTRATION</b>				
1. Benefits paid (retirements, separations, disability)	244,892,000	287,037,000	290,067,000	305,900,000
2. Administrative expenses (below .15% asset value)	0.05%	0.09%	0.11%	0.11%
<b>PORTFOLIO INVESTMENT</b>				
1. Annual investment income (losses), net of fees	828,897,800	(460,395,100)	(495,024,200)	599,000,000
2. Number of investment managers at year-end	32.0	34.0	36.0	38.0
3. Number of investment managers hired/fired	4/0	2/0	3/1	3/1
4. Beginning assets (All Plans) (millions)	6,403.9	7,294.5	6,794.5	6,349.5
5. Plus contributions	309.8	259.5 *	356.0	378.0
6. Plus net investment income (All Plans)	830.3	(466.1)	(501.6)	484.5
7. Less benefits paid or other expenses	(249.5)	(293.4)	(299.4)	(312.0)
8. <i>Ending net assets (millions)</i>	<i>7,294.5</i>	<i>6,794.5</i>	<i>6,349.5</i>	<i>6,900.0</i>
<b>401K</b>				
Dollar value of employee 401(k) accounts**	20,900,000	79,200,000	86,600,000	96,600,000

\* Decline due to employer gain sharing credits

\*\* "Choice Plan" initiated FY 2001

### Target Asset Allocation

This asset allocation (whereby PERSI will consistently have about 70% of its assets in equity instruments) is the board's only way to achieve the desired 5% real return (i.e. inflation plus 5%) on investments.



## PERSI Organizational Chart

